

AUDITOR'S REPORT  
VILLAGE OF LAKEWOOD CLUB, MICHIGAN  
March 31, 2004

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Lakewood Club	County Muskegon
Audit Date 3-31-04	Opinion Date 5-10-04	Date Accountant Report Submitted to State: 6-10-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) CALVIN MEEUSEN COMPANY, C.P.A., PLLC			
Street Address 1014 S. BEACON BLVD.	City GRAND HAVEN	State MI	ZIP 49417
Accountant Signature 			

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**CALVIN MEEUSEN COMPANY, C.P.A., PLLC**

CALVIN D. MEEUSEN  
CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT**

To the Village Council  
Village of Lakewood Club, Michigan

I have audited the accompanying general purpose financial statements of the Village of Lakewood Club, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America as well as those procedures prescribed by the State Treasurer. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Lakewood Club, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Lakewood Club, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Handwritten signature of Calvin Meeusen in cursive script, followed by the text "Company C.P.A. PLLC".

Calvin D. Meeusen, C.P.A.  
Grand Haven, Michigan  
May 10, 2004

COMBINED BALANCE SHEET - ALL FUND TYPES AND FUNDS

March 31, 2004

ASSETS

Cash  
Restricted cash (Note D)  
Receivables  
Taxes  
Due from State  
Due from other funds (Note C)  
Property, plant and equipment

Total Assets

LIABILITIES AND FUND EQUITY

Liabilities:

Accrued liabilities  
Due to other funds (Note C)

Total Liabilities

Fund equity:

Investment in general fixed assets  
Fund balance  
Undesignated

Total Fund Equity

Total Liabilities and Fund Equity

The accompanying notes are an integral part of this statement.

# ACCOUNT GROUPS

Governmental Fund Types		Account Groups		Totals
<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum only)</u>
\$524,381	\$129,513	\$ -	\$ -	\$ 653,894
35,620	-	-	-	35,620
37,127	-	-	-	37,127
10,935	20,389	-	-	31,324
-	1,000	-	-	1,000
-	-	<u>405,240</u>	<u>-</u>	<u>405,240</u>
<u>\$608,063</u>	<u>\$150,902</u>	<u>\$405,240</u>	<u>\$ -</u>	<u>\$1,164,205</u>
\$ 37,574	\$ 7,156	\$ -	\$ -	\$ 44,730
<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
38,574	7,156	-	-	45,730
-	-	405,240	-	405,240
<u>569,489</u>	<u>143,746</u>	<u>-</u>	<u>-</u>	<u>713,235</u>
<u>569,489</u>	<u>143,746</u>	<u>405,240</u>	<u>-</u>	<u>\$1,118,475</u>
<u>\$608,063</u>	<u>\$150,902</u>	<u>\$405,240</u>	<u>\$ -</u>	<u>\$1,164,205</u>

Village of Lakewood Club

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES

Year ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	\$166,978	\$ -	\$166,978
Licenses and permits	19,284	-	19,284
Equipment rental	12,176	-	12,176
State shared revenue	92,508	104,553	197,061
Federal grants	-	170,249	170,249
Interest	4,344	1,662	6,006
Administration fee	1,662	-	1,662
Other	<u>23,266</u>	<u>451</u>	<u>23,717</u>
TOTAL REVENUES	320,218	276,915	597,133
Expenditures			
Current:			
Legislative	74,470	-	74,470
General government	63,836	-	63,836
Public safety	42,427	-	42,427
Public works	9,000	374,655	383,655
Recreational and cultural	32,998	-	32,998
Other	41,357	-	41,357
Capital outlay	<u>25,574</u>	<u>-</u>	<u>25,574</u>
TOTAL EXPENDITURES	<u>289,662</u>	<u>374,655</u>	<u>664,317</u>
EXCESS OF REVENUES OVER EXPENDITURES	30,556	(97,740)	(67,184)
Other financing sources (uses)			
Operating transfers in	-	23,539	23,539
Operating transfers out	<u>-</u>	<u>(23,539)</u>	<u>(23,539)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	30,556	(97,740)	(67,184)
Fund balance - April 1	<u>538,933</u>	<u>241,486</u>	<u>780,419</u>
Fund balance - March 31	<u>\$569,489</u>	<u>\$143,746</u>	<u>\$713,235</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year ended March 31, 2004

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues:			
Property taxes	\$185,000	\$166,978	\$ (18,022)
Licenses and permits	20,000	19,284	(716)
Equipment rental	12,000	12,176	176
State shared revenues	103,000	92,508	(10,492)
Federal grants	-	-	-
Interest	6,500	4,344	(2,156)
Administration fee	2,042	1,662	(380)
Other revenue	<u>38,100</u>	<u>23,266</u>	<u>(14,834)</u>
TOTAL REVENUES	<u>366,642</u>	<u>320,218</u>	<u>(46,424)</u>
Expenditures			
Current:			
Legislative	68,850	74,470	(5,620)
General government	50,965	63,836	(12,871)
Public safety	48,354	42,427	5,927
Public works	11,950	9,000	2,950
Recreational and cultural	36,950	32,998	3,952
Other	74,255	41,357	32,898
Capital outlay	<u>55,250</u>	<u>25,574</u>	<u>29,676</u>
TOTAL EXPENDITURES	<u>346,574</u>	<u>289,662</u>	<u>56,912</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	20,068	30,556	10,488
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	20,068	30,556	10,488
Fund balance - April 1	<u>538,933</u>	<u>538,933</u>	<u>-</u>
Fund balance - March 31	<u>\$559,001</u>	<u>\$569,489</u>	<u>\$ 10,488</u>

The accompanying notes are an integral part of this statement.



Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$185,000	\$166,978	\$ (18,022)
-	-	-	20,000	19,284	(716)
-	-	-	12,000	12,176	176
90,600	104,553	13,953	193,600	197,061	3,461
-	170,249	170,249	-	170,249	170,249
2,050	1,662	(388)	8,550	6,006	(2,544)
-	-	-	2,042	1,662	(380)
-	451	451	38,100	23,717	(14,383)
<u>92,650</u>	<u>276,915</u>	<u>184,265</u>	<u>459,292</u>	<u>597,133</u>	<u>137,841</u>
-	-	-	68,850	74,470	(5,620)
-	-	-	50,965	63,836	(12,871)
-	-	-	48,354	42,427	5,927
92,650	374,655	(282,005)	104,600	383,655	(279,055)
-	-	-	36,950	32,998	3,952
-	-	-	74,255	41,357	32,898
-	-	-	<u>55,250</u>	<u>25,574</u>	<u>29,676</u>
<u>92,650</u>	<u>374,655</u>	<u>(282,005)</u>	<u>439,224</u>	<u>664,317</u>	<u>(225,093)</u>
-	(97,740)	(97,740)	20,068	(67,184)	(87,252)
11,400	23,539	12,139	11,400	23,539	12,139
<u>(11,400)</u>	<u>(23,539)</u>	<u>(12,139)</u>	<u>(11,400)</u>	<u>(23,539)</u>	<u>(12,139)</u>
-	-	-	-	-	-
-	(97,740)	(97,740)	20,068	(67,184)	(87,252)
<u>241,486</u>	<u>241,486</u>	<u>-</u>	<u>780,419</u>	<u>780,419</u>	<u>-</u>
<u>\$241,486</u>	<u>\$143,746</u>	<u>\$ (97,740)</u>	<u>\$800,487</u>	<u>\$713,235</u>	<u>\$ (87,252)</u>

# Village of Lakewood Club

## NOTES TO FINANCIAL STATEMENTS

March 31, 2004

The Village of Lakewood Club (Muskegon County) is a charter village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, parks and recreation, planning and zoning and general administrative services.

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lakewood Club conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

#### 1. Reporting Entity

The Village has adopted the position of the National Council of Governmental Accounting (NCGA) as outlined in its Statement 3 regarding the definition of the "reporting entity". The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all governmental activities, organizations, boards and commissions subject to the Village of Lakewood Club jurisdiction; there are no other activities, organizations, boards or commissions that are not included in this report.

#### 2. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in this report, as follows:

### GOVERNMENTAL FUND TYPES

**General Fund** - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Village of Lakewood Club

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Fund Accounting - Continued

**Special Revenue Funds** - These funds are used to account for specific governmental revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

**General Fixed Assets Account Group** - This account group presents the fixed assets of the local unit utilized in its general operations.

**General Long-Term Debt Account Group** - This account group presents the balance of general obligation long-term debt.

3. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Village of Lakewood Club

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

5. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Village Clerk is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
- e. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the General Fund lapse at the end of the fiscal year.

Village of Lakewood Club

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgeted amounts are as originally adopted, or as amended by the Village Council as of March 31, 2004.

6. Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property and are levied on July 1. The Village bills and collects its own property taxes and does not collect taxes for any other unit of government. Collections of these taxes are accounted for in the General Fund. Village property tax revenues are recognized in the period for which they are levied. The Village is permitted by law to levy taxes up to 12.00 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited millage for the payment of principal and interest on long-term debt subject to a vote of the Village residents. The tax rate to finance general government services for the year ended March 31, 2004, was 8.3144 mills.

7. Compensated Absences

Full-time Village employees earn vacation and sick leave in varying amounts based on length of service. Unused sick leave or vacation pay does not accumulate past March 31 of each fiscal year. No portion of unused sick leave or vacation pay is paid to employees at the time of termination or retirement. It is the Village's policy to recognize the cost of sick leave at the time payments are made.

8. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

10. Total columns on Combined Statements

Total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in

Village of Lakewood Club

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - DEPOSITS

Deposits are in various local financial institutions and are carried at cost; the deposits are composed of interest bearing checking accounts, money market and a certificate of deposit.

At March 31, 2004, the carrying amount of the Village's deposits was \$689,514. Of the bank balance, \$200,000 was covered by federal depository insurance, the remainder being uninsured.

<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
\$191,019	\$191,019	General
357,732	360,663	General
11,100	11,100	General
150	-	General
95,554	107,860	Major Street Fund
<u>33,959</u>	<u>21,820</u>	Local Street Fund
<u>\$689,514</u>	<u>\$692,462</u>	

NOTE C - INTERFUND RECEIVABLES AND PAYABLES AND OPERATING TRANSFERS

Details of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Major Streets	\$ 1,000	General	\$ 1,000

Details of interfund operating transfers at March 31, 2004, are as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Fund</u>	<u>Operating Transfers Out</u>
Local Streets	\$ 23,539	Major Streets	\$ 23,539

Village of Lakewood Club

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE D - RESTRICTED CASH

The restricted cash represents monies owed to other municipalities from the sale proceeds of various tax-reverted properties taken over by the Village of Lakewood Club.

NOTE E - PROPERTY, PLANT AND EQUIPMENT

A summary of changes in general fixed assets follows:

	Balance April 1 2003	Addi- tions	Dele- tions	Balance March 31 2004
Building	\$153,724	\$ -	\$ 1,677	\$152,047
Equipment-Village Hall	39,591	-	15,758	23,833
Equipment-General	144,026	23,574	28,214	139,386
Seawall and Boardwalk	25,467	-	-	25,467
Parks	<u>55,463</u>	<u>19,616</u>	<u>10,572</u>	<u>64,507</u>
	<u>\$418,271</u>	<u>\$43,190</u>	<u>\$ 56,221</u>	<u>\$405,240</u>

NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures have been reported on a functional basis. This is the same basis for which the budgets have been legally adopted and amended.

During the year ended March 31, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	Total Appropriations	Actual Expenditures	Budget Variance
General fund			
Village Council	\$68,850	\$74,470	\$ 5,620
Elections	1,400	1,495	95
Village Hall and grounds	13,540	30,562	17,022
Ordinance enforcement	3,750	4,694	944
Major street fund			
Contracted services	-	170,249	170,249
Salaries and wages	3,000	3,625	625
Fringe benefits	900	2,040	1,140

# Village of Lakewood Club

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

### NOTE F - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS-CONT.

Professional services	2,000	98,345	96,345
Operating transfers out	11,400	23,539	12,139
Local street fund			
Fringe benefits	6,000	7,284	1,284
Professional services	5,000	39,482	34,482
Equipment rental	6,000	9,447	3,447
Miscellaneous	-	878	878

### NOTE G - RISK MANAGEMENT

The Village of Lakewood Club is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical benefits and participates in the Michigan Municipal Workers' Compensation Fund for workers' compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents). Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These Pools are to provide for joint and cooperative action common to each participating municipal corporation for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

### NOTE H - BUILDING INSPECTION DEPARTMENT

The Village of Lakewood Club is responsible for complying with the State Construction Code Act. This Act was amended by Public Act 245 of 1999 which became effective on January 1, 2000. Section 22 of Public Act 245 requires that the legislative body of a governmental subdivision shall establish reasonable fees to be charged by the governmental subdivision for acts and services performed by the enforcing agency under this act, which fees shall be intended to bear a reasonable relation to the cost, including overhead, to the governmental subdivision of the acts and services, including, without limitation, those services and acts as, in case of an enforcing agency, issuance of building permits, examination of plans and specifications, inspection of construction undertaken pursuant to a building permit, and the issuance of certificates of use and occupancy, and, in case of a board of appeals, hearing appeals in accordance with this act. The legislative body of a governmental



Village of Lakewood Club

NOTES TO FINANCIAL STATEMENTS - CONTINUED

March 31, 2004

NOTE H - BUILDING INSPECTION DEPARTMENT-CONTINUED

subdivision shall only use fees generated under this section for the operation of the enforcing agency and shall not use the fees for any other purpose.

The Village of Lakewood Club meets the Michigan Department of Treasury criteria to account for these activities in the General Fund (ie. not establishing a separate Special Revenue Fund) namely, that the fee structure is not intended to recover the full cost of the enforcing agency and the Village has the ability to track the full costs and revenues of the enforcing agency without creating a separate fund. The following is a schedule of the revenues and expenditures associated with the building inspection department:

Village of Lakewood Club  
Building Inspection Department  
April 1, 2003-March 31, 2004

Revenue	\$19,284
Expenses	
Contracted services	17,140
Supplies & workshops	1,652
Other	174
Administration	<u>4,821</u>
TOTAL EXPENSES	<u>23,787</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	\$ <u>(4,503)</u>

SUPPLEMENTAL INFORMATION

Village of Lakewood Club

STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - DETAILED

GENERAL FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Legislative			
Village Council	\$ 68,850	\$ 74,470	\$ (5,620)
Total legislative	68,850	74,470	(5,620)
General government			
Elections	1,400	1,495	(95)
Clerk	14,900	13,593	1,307
Deputy clerk	8,925	8,100	825
Village Hall and grounds	13,540	30,562	(17,022)
Treasurer	12,200	10,086	2,114
Total general government	50,965	63,836	(12,871)
Public safety			
Liquor Inspection	504	504	-
Street Lighting	24,500	18,263	6,237
Inspection Department	19,600	18,966	634
Ordinance Enforcement	3,750	4,694	(944)
Total public safety	48,354	42,427	5,927
Public works	11,950	9,000	2,950
Total public works	11,950	9,000	2,950
Recreational and cultural			
Park	36,750	32,965	3,785
Lake	200	33	167
Total recreational and cultural	36,950	32,998	3,952
Other			
Salaries and wages	13,255	7,431	5,824
Lot sales	26,000	-	26,000
Refuse service	35,000	33,926	1,074
Total other	74,255	41,357	32,898
Capital outlay			
Equipment	55,250	25,574	29,676
TOTAL EXPENDITURES	\$346,574	\$289,662	\$ 56,912

The accompanying notes are an integral part of this statement.

Village of Lakewood Club

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

March 31, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Totals</u>
ASSETS			
Cash	\$ 95,554	\$ 33,959	\$129,513
Due from State	10,567	9,822	20,389
Due from other funds	<u>1,000</u>	<u>-</u>	<u>1,000</u>
	<u>\$107,121</u>	<u>\$ 43,781</u>	<u>\$150,902</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 7,156	\$ -	\$ 7,156
Fund balance	<u>99,965</u>	<u>43,781</u>	<u>143,746</u>
	<u>\$107,121</u>	<u>\$ 43,781</u>	<u>\$150,902</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS

Year ended March 31, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Totals</u>
Revenues			
State shared revenues	\$ 54,010	\$50,543	\$104,553
Federal grants	170,249	-	170,249
Interest earnings	1,395	267	1,662
Other	<u>287</u>	<u>164</u>	<u>451</u>
TOTAL REVENUES	225,941	50,974	276,915
Expenditures			
Highways, streets and bridges	<u>280,478</u>	<u>94,177</u>	<u>374,655</u>
TOTAL EXPENDITURES	<u>280,478</u>	<u>94,177</u>	<u>374,655</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(54,537)	(43,203)	(97,740)
Other financing sources (uses)			
Operating transfers in	-	23,539	23,539
Operating transfers out	<u>(23,539)</u>	<u>-</u>	<u>(23,539)</u>
Total other financing sources (uses)	<u>(23,539)</u>	<u>23,539</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(78,076)	(19,664)	(97,740)
Fund balance - April 1	<u>178,041</u>	<u>63,445</u>	<u>241,486</u>
Fund balance - March 31	\$ <u>99,965</u>	\$ <u>43,781</u>	\$ <u>143,746</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - MAJOR STREET FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenue			
State shared revenue			
Gas and weight tax	\$ 45,000	\$ 54,010	\$ 9,010
Federal grants	-	170,249	170,249
Interest earnings	1,500	1,395	(105)
Other income	<u>-</u>	<u>287</u>	<u>287</u>
TOTAL REVENUES	46,500	225,941	179,441
Expenditures			
Construction	19,546	-	19,546
Street preservation			
Contracted services	-	170,249	(170,249)
Salaries and wages	3,000	3,625	(625)
Fringe benefits	900	2,040	(1,140)
Repairs and maintenance supplies	4,500	3,491	1,009
Professional services	2,000	98,345	(96,345)
Equipment rental	<u>3,500</u>	<u>2,728</u>	<u>772</u>
	13,900	280,478	(266,578)
Administration	<u>1,654</u>	<u>-</u>	<u>1,654</u>
TOTAL EXPENDITURES	<u>35,100</u>	<u>280,478</u>	<u>(245,378)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,400	(54,537)	(65,937)
Other financing uses			
Operating transfers out	<u>(11,400)</u>	<u>(23,539)</u>	<u>(12,139)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	(78,076)	(78,076)
Fund balance - April 1	<u>178,041</u>	<u>178,041</u>	<u>-</u>
Fund balance - March 31	<u>\$178,041</u>	<u>\$ 99,965</u>	<u>\$ 78,076</u>

The accompanying notes are an integral part of this statement.

Village of Lakewood Club

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - LOCAL STREET FUND

Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental revenue			
State shared revenue			
Gas and weight tax	\$ 45,600	\$ 50,543	\$ 4,943
Interest earnings	550	267	(283)
Other	<u>-</u>	<u>164</u>	<u>164</u>
TOTAL REVENUES	46,150	50,974	4,824
Expenditures			
Street preservation			
Salaries and wages	13,896	12,776	1,120
Fringe benefits	6,000	7,284	(1,284)
Repairs and maintenance supplies	25,000	24,310	690
Professional services	5,000	39,482	(34,482)
Equipment rental	6,000	9,447	(3,447)
Miscellaneous	<u>-</u>	<u>878</u>	<u>(878)</u>
	55,896	94,177	(38,281)
Administration	<u>1,654</u>	<u>-</u>	<u>1,654</u>
TOTAL EXPENDITURES	<u>57,550</u>	<u>94,177</u>	<u>(36,627)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,400)	(43,203)	(31,803)
Other financing sources			
Operating transfers in	<u>11,400</u>	<u>23,539</u>	<u>12,139</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	19,664	(19,664)
Fund balance - April 1	<u>63,445</u>	<u>63,445</u>	<u>-</u>
Fund balance - March 31	<u>\$ 63,445</u>	<u>\$ 43,781</u>	<u>\$ (19,664)</u>

The accompanying notes are an integral part of this statement.

**CALVIN MEEUSEN COMPANY, C.P.A., PLLC**

**CALVIN D. MEEUSEN  
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May 10, 2004

Members of the Village Council  
Village of Lakewood Club

In connection with my examination of the balance sheets of the various funds of the Village of Lakewood Club as of March 31, 2004, and the related statements of revenues, expenditures and fund balances for the year then ended, I have reviewed the accounting policies and procedures employed by the Village and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Village of Lakewood Club for the year ended March 31, 2004, and have issued my report thereon dated May 10, 2004. As part of my examination, I made a study and evaluation of the system of internal accounting control of the Village of Lakewood Club to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". The purpose of my study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Village of Lakewood Club is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village taken as a whole. However, my study and evaluation disclosed that the internal accounting controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Village of Lakewood Club may occur and not be



Members of Village Council  
Village of Lakewood Club

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detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to alleviate this situation.

As of March 31, 2004, the Village had accounts totalling \$689,514 with two area financial institutions. Of that \$689,514, only \$200,000 was federally insured. I feel that it would be in the best interest of the Village to distribute these monies among federally insured institutions in an effort to maximize insurance coverage.

General fixed assets should be updated on a yearly basis. Material additions and deletions should be recorded to allow for proper presentation of general fixed assets in non-audit years.

The Village is on the modified accrual basis of accounting. Village personnel should make a listing of accounts payable at each year-end and determine the materiality of these amounts. If it is decided that these amounts are material in relation to the financial statements, "taken as a whole", the amounts should be recorded in the books.

Effective April 1, 2004 the Village of Lakewood Club will be subject to GASB 34 as a phase three municipality for the year ending March 31, 2005. I would recommend that the Village adopt a minimum capitalization policy retroactive to April 1, 2004 of \$1,000. This means that any asset with a purchase price of less than \$1,000 would not be recorded as a separate asset and depreciated over it's useful life. We will be working with the Village staff throughout the coming year on implementing GASB 34.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same from them in the future. All of the above comments and recommendations are intended to be only of a constructive nature. I am sure they will help you to improve your accounting system and financial operation. I will be available to meet with you at any time in order to discuss the above comments and recommendations.

Respectfully submitted,

 Calvin D. Meeusen, C.P.A.